

REGISTERED NUMBER 02717800 (ENGLAND AND WALES)

MUSE DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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MUSE DEVELOPMENTS LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS

	Page
COMPANY INFORMATION	1
STRATEGIC REPORT	2-5
DIRECTORS' REPORT	6-7
INDEPENDENT AUDITOR'S REPORT	8-9
CONSOLIDATED INCOME STATEMENT	10
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	11
CONSOLIDATED BALANCE SHEET	12
CONSOLIDATED CASHFLOW STATEMENT	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
COMPANY BALANCE SHEET	15
COMPANY CASHFLOW STATEMENT	16
COMPANY STATEMENT OF CHANGES IN EQUITY	17
PRINCIPAL ACCOUNTING POLICIES	18-25
NOTES TO THE FINANCIAL STATEMENTS	26-42

MUSE DEVELOPMENTS LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

Directors	ME Crompton SP Crummett NJH Franklin D Hoyle JC Morgan SA Shankland
Secretary	C Sheridan
Head Office	Anchorage 1 Anchorage Quay Salford Quays Manchester M50 3YJ
Registered Office	Kent House 14 - 17 Market Place London W1W 8AJ
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Manchester United Kingdom

MUSE DEVELOPMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their report on the operations of the Group for the year ended 31 December 2014 together with the financial statements. The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006

Principal activities

Muse Developments Limited and its subsidiary and joint venture undertakings ("the Group") form a UK-wide urban regeneration business specialising in the delivery of complex mixed use development projects, predominantly in town and city centre locations. The Group has a portfolio of around 35 projects, the majority of which are delivered in partnership with public or private sector landowners. The Group has established a track record of successful regeneration projects over the last 20 years.

The subsidiary and associated undertakings principally affecting the results or net assets of the Group in the year are listed in note 9 to the financial statements.

Business review

The Group works with landowners and public sector partners to unlock value from under-developed assets to bring about sustainable regeneration and urban renewal through the delivery of mixed-use projects across the UK.

	2014	2013
Revenue	£112.7m	£61.6m
Operating profit	£10.0m	£0.6m
Profit / (loss) before tax	£8.5m	(£0.1m)
Capital employed at year-end	£50.3m	£51.4m
Cash and cash equivalents	£22.5m	£12.2m
Share of future development pipeline	£2.4bn	£2.1bn

The Group has delivered a strong performance, with a significant increase in operating profit to £10.0m (2013: £0.6m) generated from its development portfolio as scheme phases reach completion.

Capital employed¹ at the year-end was £50.3m. This is calculated after deducting non-recourse debt of £17m and deferred consideration on the purchase of interests in the ISIS Waterside Regeneration Joint Venture of £14m. Average capital employed¹ was £49.9m, with the overall Return on Average Capital Employed² of 17%.

Major contributors to the increase in profit include the completions of the sixth phase of the Smithfield Northern Quarter regeneration scheme in Manchester, KPMG's pre-let regional headquarters in Leeds and a multi-storey car park in Stockport.

¹ Capital employed is calculated as total assets (excluding goodwill and cash) less total liabilities (excluding corporation tax, deferred tax and inter-company financing).

² Return on average capital employed = (Adjusted operating profit less interest on non-recourse debt less unwind of discount on deferred consideration) divided by (average capital employed). Interest on non-recourse debt was £1.2m (2013: £0.2m) and the unwind of discount on deferred consideration was £0.5m (2013: £0.6m).

MUSE DEVELOPMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Business review (continued)

Additionally, good progress has been made with developments through the Group's two strategic joint ventures, the government-backed English Cities Fund (ECf) and ISIS Waterside Regeneration. The success of ECf, a partnership with the Homes and Communities Agency and Legal & General Property, has resulted in completions of the hotel and car park elements of the Salford Central regeneration scheme, plus completions at Canning Town and Plymouth Through ISIS Waterside Regeneration, a partnership with the Canal & River Trust, profits have been generated from completions at Brentford and Islington Wharf, Manchester.

Across all the Group's developments, improved residential sales totalling 347 units (2013: 158) have underpinned the performance, with schemes prioritising their residential content to meet national demand. Good progress has also been made in the growing institutional private rented sector (PRS) with investors forward buying over 200 units within schemes located in Manchester, Bristol and Lewisham.

Four new development agreements valued at in excess of £300m have been secured during the year, including the Warrington Town Centre development and an agreement with Lambeth Council to deliver a £135m regeneration scheme in Brixton. As a result of this the Group's regeneration and development pipeline has increased by 14% to £2.4bn.

Within the currently active schemes, planning consents have been granted on 10 major projects with a total development value of £500m. Most notable was the full approval of the planning application for the £107m Marischal Square development, fully funded by Aviva Investors and set to transform a key location in Aberdeen city centre. Other projects which are currently being advanced are the first phase of the South Shields 365 regeneration project, Phase Three of the £180m Rathbone Market scheme in Canning Town through ECf, creating 216 homes, and Logic Leeds, where work has commenced on the division's 110-acre manufacturing and distribution development in the Leeds City Regional Enterprise Zone.

Major milestones include the commencement of construction on the first phase of the £200m Lewisham Gateway development in south east London. A total of £280m of ongoing construction activity is currently underway across 18 sites with other major site starts including the John Lewis at Home and Waitrose stores in Basingstoke, new office buildings in Chester and Salford and a new state-of-the-art Innovation Centre at the £100m Northshore regeneration scheme in Stockton-on-Tees.

Looking forward, the Group is expected to continue to deliver strong profits as schemes within its forward development programme are progressed. With over 750 residential units scheduled for completion in 2015, the Group is well placed to help meet the demand for quality homes in sustainable regeneration locations as it continues to bring forward residential elements and increase its footprint across regeneration areas. As a result, further working capital will be invested by Morgan Sindall Group plc through 2015 and 2016 to support the Group's ongoing development programme and overall regeneration strategy.

MUSE DEVELOPMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to the market environment, the availability of new business opportunities, the ability to attract and retain talented individuals and legal risks. Further discussion of these risks and uncertainties, in the context of Morgan Sindall Group as a whole, is provided in the Strategic Report Business Review in Morgan Sindall Group plc's Annual Report, which does not form part of this report.

The Group does not own a large land bank, instead the Group typically controls land through Development Agreements with public or private sector landowners. This has helped the Group to reduce exposure to fluctuations in land values. The Group is not totally immune to market risk and the Group reassesses, on a regular basis, the realisable value of its work in progress.

Key performance indicators

The Company uses the key performance indicators as disclosed in the Business Review within the Strategic Report on Page 2. In addition to these there are key performance indicators which are employed by the Group which are discussed in the Strategic Report in Morgan Sindall Group plc's Annual Report, which does not form part of this report.

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

With regard to credit risk the Company has implemented policies that require appropriate credit checks on potential customers before contracts are commenced. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers outside of the Group.

Liquidity risk

This is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to manage liquidity by ensuring that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity is provided through cash balances and access to the Group's committed bank loan facilities.

Interest rate risk

In respect of interest rate risk the Company has interest bearing assets and liabilities. Interest bearing assets and liabilities include cash balances, overdrafts and loan facilities all of which have interest rates applied at floating market rates.

MUSE DEVELOPMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Financial risk management (continued)

Price risk

The Group is exposed to the risk of cost inflation during site development. To mitigate this risk, the Group enters into fixed price design and build construction contracts. The Group is also exposed to the risk of price movements in the housing sector which affect underlying sales values. To mitigate this risk a proportion of stock is subject to forward sale agreements.

Approved by the Board and signed on its behalf by



D Hoyle

Director

23 July 2015

MUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Company's principal activities, results and principal risks and uncertainties are presented in the Strategic report. During the year the company transitioned from UK GAAP to International Financial Reporting Standards (IFRS) adopted by the European Union.

Directors

The directors who served during the year and thereafter are shown on page 1.

Directors' indemnities

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year.

Dividends

No interim dividend was paid during the year (2013: £nil) and the directors do not recommend the payment of a final dividend (2013: £nil).

Employment policies

The Group insists that a policy of equal opportunity employment is demonstrably evident at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential.

Directors' responsibilities statement

The directors are responsible for preparing the directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern.

MUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Directors' responsibilities statement (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor and disclosure of information to the independent Auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by



D Hoyle
Director

23 July 2015

MUSE DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of Muse Developments Limited for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cashflow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Cashflow Statement, the Company Statement of Changes in Equity, the Principal Accounting Policies, the Critical Accounting Judgements and Estimates, and the related notes to the financial statements 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

MUSE DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

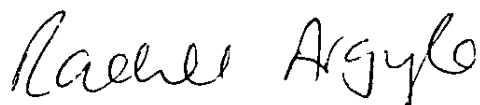
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Rachel Argyle (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

24 July 2015

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000 Restated (Note 25)
Revenue	1	112,662	61,639
Cost of sales		(99,064)	(53,954)
Gross profit		13,598	7,685
Administrative expenses		(8,895)	(7,057)
Share of net profit / (loss) of joint ventures		5,304	(42)
Operating profit	2	10,007	586
Net finance expense	4	(1,546)	(679)
Profit / (loss) before tax		8,461	(93)
Tax	5	(2,357)	531
Profit for the year		6,104	438

There were no discontinued operations in either the current or comparative years

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

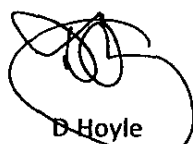
	2014 £'000	2013 £'000 Restated (Note 25)
Profit for the year	6,104	438
Other comprehensive income	-	-
Total comprehensive income	6,104	438

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000 Restated (Note 25)	1 January 2013 £'000 Restated (Note 25)
Assets				
Goodwill	7	13,645	13,645	13,645
Property, plant & equipment	8	96	49	94
Investments in joint ventures	9	38,244	41,214	41,545
Shared equity loan receivables	11	421	628	607
Non-current assets		52,406	55,536	55,891
Inventories	12	74,450	56,854	46,865
Trade and other receivables	13	14,541	9,006	13,113
Cash and cash equivalents	23	22,453	12,169	13,495
Current assets		111,444	78,029	73,473
Total assets		163,850	133,565	129,364
Liabilities				
Trade and other payables	14	(65,868)	(52,032)	(51,695)
Current tax liabilities		(2,119)	(61)	(651)
Borrowings	23	(16,940)	-	-
Provisions for liabilities	16	(512)	(586)	(503)
Current liabilities		(85,439)	(52,679)	(52,849)
Net current assets		26,005	25,350	20,624
Trade and other payables	14	(13,580)	(13,087)	(17,222)
Borrowings	23	-	(8,718)	-
Deferred tax liabilities	15	(2,242)	(2,095)	(2,521)
Provisions for liabilities	16	(1,000)	(1,501)	(1,725)
Non-current liabilities		(16,822)	(25,401)	(21,468)
Total liabilities		(102,261)	(78,080)	(74,317)
Net assets		61,589	55,485	55,047
Equity				
Share capital	17	40,000	40,000	40,000
Retained earnings		21,589	15,485	15,047
Total equity		61,589	55,485	55,047

The consolidated financial statements of Muse Developments Limited, registered number 02717800, were approved by the Board of Directors and were signed on its behalf on 23 July 2015 by


D. Hoyle
Director

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Operating activities			
Operating profit		10,007	586
Adjusted for			
Depreciation	8	44	65
Share of net (profit) / loss of equity accounted joint ventures	9	(5,304)	42
Decrease / (increase) in shared equity loans	11	207	(21)
Decrease in provisions	16	(575)	(141)
Operating inflow before movements in working capital		4,379	531
Increase in inventories	12	(17,596)	(9,989)
(Increase) / decrease in receivables	13	(5,535)	4,107
Increase / (decrease) in payables	14	13,836	(4,363)
Movements in working capital		(9,295)	(10,245)
Cash outflow from operating activities		(4,916)	(9,714)
Income taxes paid		(152)	(485)
Net cash outflow		(5,068)	(10,199)
Investing activities			
Interest received		133	95
Purchase of property, plant and equipment	8	(91)	(20)
Net receipts from joint ventures	9	8,274	289
Net cash inflow from investing activities		8,316	364
Financing activities			
Interest paid	4	(1,186)	(209)
Proceeds from borrowings	23	11,072	8,718
Repayment of borrowings	23	(2,850)	-
Net cash inflow from financing activities		7,036	8,509
Net increase / (decrease) in cash and cash equivalents		10,284	(1,326)
Cash and cash equivalents at 1 January	23	12,169	13,495
Cash and cash equivalents at 31 December	23	22,453	12,169

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
1 January 2013 – as previously stated	40,000	12,102	52,102
Restatement – Note 25	-	2,945	2,945
1 January 2013 – restated (Note 25)	40,000	15,047	55,047
Total comprehensive income	-	438	438
31 December 2013 – restated (Note 25)	40,000	15,485	55,485
Total comprehensive income	-	6,104	6,104
31 December 2014	40,000	21,589	61,589

MUSE DEVELOPMENTS LIMITED

COMPANY BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
Assets				
Goodwill	7	7,292	7,292	7,292
Property, plant & equipment	8	96	49	94
Investments in joint ventures	9	6,084	9,133	4,249
Investments in subsidiaries	10	22,109	22,810	24,386
Non-current assets		35,581	39,284	36,021
Inventories	12	41,779	36,891	36,935
Trade and other receivables	13	19,695	18,949	26,970
Current tax assets		-	112	-
Cash and cash equivalents	23	21,941	11,642	13,065
Current assets		83,415	67,594	76,970
Total assets		118,996	106,878	112,991
Liabilities				
Trade and other payables	14	(68,405)	(55,490)	(60,730)
Current tax liabilities		(1,365)	-	(651)
Provisions for liabilities	16	(512)	(586)	(503)
Current liabilities		(70,282)	(56,076)	(61,884)
Net current assets		13,133	11,518	15,086
Deferred tax liabilities	15	(1,156)	(1,150)	(1,470)
Provisions for liabilities	16	(1,000)	(1,501)	(1,725)
Non-current liabilities		(2,156)	(2,651)	(3,195)
Total liabilities		(72,438)	(58,727)	(65,079)
Net assets		46,558	48,151	47,912
Equity				
Share capital	17	40,000	40,000	40,000
Retained earnings		6,558	8,151	7,912
Total equity		46,558	48,151	47,912

The financial statements of Muse Developments Limited, registered number 02717800, were approved by the Board of Directors on 23 July 2015


D Hoyle
Director

MUSE DEVELOPMENTS LIMITED

COMPANY CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Notes	£'000	£'000
Operating activities			
Operating loss		(1,604)	(450)
Adjusted for			
Depreciation	8	44	65
Decrease in provisions	16	(575)	(141)
Operating outflow before movements in working capital		(2,135)	(526)
(Increase) / decrease in inventories	12	(4,888)	44
(Increase) / decrease in receivables	13	(1,016)	7,909
Increase / (decrease) in payables	14	14,280	(5,240)
Movements in working capital		8,376	2,713
Cash inflow from operating activities		6,241	2,187
Income taxes received		1,008	1,213
Net cash inflow		7,249	3,400
Investing activities			
Interest received		92	81
Purchase of property, plant and equipment	8	(91)	(20)
Net receipts from / (investments in) joint ventures	9	3,049	(4,884)
Net cash inflow / (outflow) from investing activities		3,050	(4,823)
Net increase / (decrease) in cash and cash equivalents		10,299	(1,423)
Cash and cash equivalents at 1 January	23	11,642	13,065
Cash and cash equivalents at 31 December	23	21,941	11,642

MUSE DEVELOPMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
1 January 2013	40,000	6,337	46,337
Restatement – Note 25	-	1,575	1,575
1 January 2013 – restated (Note 25)	40,000	7,912	47,912
Total comprehensive income	-	239	239
31 December 2013 – restated (Note 25)	40,000	8,151	48,151
Total comprehensive expense	-	(1,593)	(1,593)
31 December 2014	40,000	6,558	46,558

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

Muse Developments Limited (the Company) is domiciled and incorporated in the United Kingdom. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 2 to 5. The address of the registered office is given on page 1.

Basis of preparation

(a) Statement of compliance

In the year ended 31 December 2014 the Group and Company has undergone transition from reporting under UK GAAP to International Financial Reporting Standards (IFRS) adopted by the European Union.

The consolidated and company financial statements have been prepared on the going concern basis as discussed below and in accordance with IFRS adopted by the European Union.

(b) Basis of accounting

The financial statements have been prepared under the historical cost convention except for the revaluation of shared equity loan receivables that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

(c) Functional and presentation currency

These consolidated and company financial statements are presented in pounds sterling which is the Group and company's functional currency.

(d) Adoption of new and revised standards

(i) New and revised accounting standards adopted by the Group

During the year, the Group has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the amounts or disclosures reported in these financial statements:

- IAS 27 (revised) 'Separate Financial Statements' Introduces new disclosure requirements to investment entities
- IAS 28 (revised) 'Investments in Associates and Joint Ventures (2011)' This standard was issued and supersedes IAS 28 (2003) and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures
- IAS 32 (amended) 'Financial Instruments: Presentation' This amendment clarifies existing application issues relating to the offsetting financial assets and financial liabilities
- IAS 36 (amended) 'Impairment of Assets' The amendments remove the requirement to disclose the recoverable amount of a cash generating unit (or group of cash generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognised and introduce additional disclosure requirements in respect of assets for which an impairment has been recognised or reversed and for which the recoverable amount is determined using fair value less costs of disposal

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

- IAS 39 (amended) 'Financial Instruments Recognition and Measurement' The amendments allow the continuation of hedge accounting when a derivative is novated to a clearing house counterparty and certain conditions are met
- IFRS 2 (amended) 'Share-based Payment' As part of the 2010-2012 cycle of the Annual Improvements Project, the definitions of 'vesting condition' and 'market condition' were amended and definitions added of 'performance condition' and 'service condition' to clarify how such conditions are reflected in the recognition and measurement of share-based payment expenses
- IFRS 3 (amended) 'Business Combinations' As part of the 2010-2012 cycle of the Annual Improvements Project, this standard was amended to clarify that all contingent consideration classified as an asset or liability should be measured at fair value at each reporting date
- IFRS 10 'Consolidated Financial Statements' This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities
- IFRS 11 'Joint Arrangements' This standard establishes the principles for financial reporting by entities that have an interest in arrangements that are controlled jointly
- IFRS 12 'Disclosure of Interests in Other Entities' This standard requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows

(ii) New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early by the Group

At the date of publishing these financial statements the following new and revised standards and interpretations were in issue but were not yet effective (and in some cases had not yet been adopted by the EU) None of these new and revised standards and interpretations have been adopted early by the Group

- Annual improvements 2010-2012 cycle
- Annual improvements 2011-2013 cycle
- Annual improvements 2012-2014 cycle
- IAS 16 (amended) 'Property, Plant and Equipment'
- IAS 19 (amended) 'Employee Benefits'
- IAS 27 (amended) 'Separate Financial Statements'
- IAS 28 (amended) 'Investments in Associates and Joint Ventures'
- IAS 38 (amended) 'Intangible Assets'
- IFRS 9 'Financial Instruments'
- IFRS 10 (amended) 'Consolidated Financial Statements'
- IFRS 11 (amended) 'Joint Arrangements'
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 15 'Revenue from Contracts with Customers'

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

- The directors are in the process of assessing the potential impact of IFRS 15 on both revenue recognition and disclosure requirements

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements

Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. The Group is expected to trade profitably for the foreseeable future, taking account of uncertainties in the economic climate. The Group participates in the Morgan Sindall Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries.

The directors, having assessed the responses of the directors of Morgan Sindall Group plc to their enquiries, and having received confirmation regarding its continued support, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Morgan Sindall Group to continue as a going concern or its ability to continue to trade with the current banking arrangements.

On the basis of their assessment of the Company and the Group's financial position and of the enquiries made of the directors of Morgan Sindall Group plc, the Company's directors have a reasonable expectation that the Company and Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, together with the Group's share of the results of joint ventures made up to 31 December each year.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed in administrative expenses as incurred. All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree as compared with the Group's share of the identifiable net assets are recognised as goodwill. Where the Group's share of identifiable net assets acquired exceeds the total consideration transferred, a gain from a bargain purchase is recognised immediately in the income statement after the fair values initially determined have been reassessed.

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

(a) Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is exerted where the Group has the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain economic benefits from its activities. Typically, a shareholding of more than 50% of the voting rights is indicative of control. However, the impact of potential voting rights currently exercisable is taken into consideration.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases. The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. They are initially measured at the non-controlling interests' share of the net fair value of the assets and liabilities recognised or at fair value, as determined on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

(b) Joint arrangements

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which requires unanimous consent for strategic financial and operating decisions.

(i) Joint ventures

A joint venture generally involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The results, assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting.

Goodwill relating to a joint venture which is acquired directly is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group's investments in joint ventures are reviewed to determine whether any additional impairment loss in relation to the net investment in the joint venture is required. When there is a change recognised directly in the equity of the joint venture, the Group recognises its share of any change and discloses this, where applicable, in the statement of comprehensive income.

Where the Group's share of losses exceeds its equity accounted investment in a joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations. Appropriate adjustment is made to the results of joint ventures where material differences exist between a joint venture's accounting policies and those of the Group.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

(ii) Joint operations

Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations. The Group's share of the results and net assets of these joint operations are included under each relevant heading in the income statement and the balance sheet.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investments are eliminated to the extent of the Group's interest in that investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

Revenue from the sale of development properties is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the properties and the amount of revenue can be estimated reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the contract of sale. Where the terms of the contract of sale are such that it is classified as an agreement for the rendering of services, revenue is recognised by reference to the stage of completion of the development. Where the terms of the contract of sale are such that it is classified as an agreement for the sale of goods, revenue is recognised at the point where the transfer of control and the significant risks and rewards of ownership occurs. This can occur at a single point in time or continuously through the course of the development and is dependent on the specific characteristics of each development.

Government grants

Funding received in respect of developer grants, where funding is awarded to encourage the building and renovation of sites, is recognised as revenue on a stage of completion basis over the life of the project to which the funding relates. Government grants are initially recognised as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached and the grants will be received, and are netted against any related inventory.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

Finance income and expense

Finance income and expense is recognised using the effective interest method.

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

Income tax

The income tax expense represents the current and deferred tax charges. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the Group's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Taxable profit differs from that reported in the income statement because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognised on temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted and are only offset where there is a legally enforceable right to offset current tax assets and liabilities.

Intangible assets – goodwill

(i) Initial recognition – Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets of the acquiree at the acquisition date. Where the cost is less than the Group's share of the identifiable net assets, the difference is immediately recognised in the income statement as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter.

(ii) Subsequent measurement – Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investments, goodwill acquired directly is included in the carrying amount of the investment.

(iii) Impairment – The Group consists of only one cash-generating unit. This is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

Intangible assets – goodwill (continued)

If the recoverable amount of the Group's net assets is lower than their carrying amount, then the impairment loss is first applied to the goodwill and then to the other assets on a pro-rata basis, based on the carrying amount of each asset. Any such impairment loss is recognised immediately in the income statement and is not subsequently reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of the assets over their estimated useful lives using the straight-line method on the following basis:

Plant, equipment, fixtures and fittings – between three and five years

Residual values of property, plant and equipment are reviewed and updated annually.

Investments

In the Company balance sheet, fixed asset investments in subsidiaries and joint ventures are shown at cost less provision for impairment.

Shared equity loan receivables

The shared equity loans receivable are designated at fair value through profit or loss. Fair value movements are recognised in profit from operations and the resulting financial asset is presented as a non-current receivable. Fair value movements include accreted interest.

Inventories

Inventories principally comprise properties held for sale, properties under construction and land. Inventories are stated at the lower of cost and net realisable value. Cost comprises land, direct materials and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less applicable costs.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method with an appropriate allowance for estimated irrecoverable amounts recognised in the income statement when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Pensions

The Company contributes to The Morgan Sindall Retirement Benefits Plan, which is of a defined contribution type. The annual costs are charged to the profit and loss account as incurred.

MUSE DEVELOPMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements under IFRS requires management to make judgments, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates

Assumptions and estimates are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised. The following items are those that management consider to be critical due to the level of judgment and estimation required

- **Impairment of work in progress**

In assessing whether work in progress is impaired, estimates are made of future sales revenue, timing and build costs. The Group has controls in place to ensure that estimates of sales revenue are consistent, and external valuations are used where appropriate

- **Goodwill and intangible assets**

Goodwill is not amortised but is tested at least annually for impairment, along with the other assets of the Group. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. The Group performs various sensitivity analyses in respect of the tests for impairment, as detailed in note 7

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Revenue and business segments

All revenue relates to the Group's principal activities carried out in the UK. Management reviews the performance of the Group on a project basis. None of these projects meet the criteria to be classified as an operating segment as defined by IFRS 8. Therefore no segmental analysis is disclosed.

2. Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of property plant and equipment		
- owned assets	44	65
Government grants	(2,750)	(317)
Auditor's remuneration (see below)	77	68
Operating lease rentals		
- plant and machinery	27	14
	2014 £'000	2013 £'000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	44	47
Fees payable to the Company's auditor for the audit of annual accounts of subsidiary companies pursuant to legislation	20	18
	64	65
Group share of fees payable to the Company's auditor for the audit of annual accounts of joint venture companies pursuant to legislation	13	3
Total auditor's remuneration	77	68

3. Staff costs

	2014 £'000	2013 £'000
Wages and salaries	4,885	4,155
Social security costs	646	553
Pension costs	469	486
	6,000	5,194
	No.	No.
The average number of employees (including executive directors) during the year was	57	51

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. Staff costs (continued)

	2014 £'000	2013 £'000
Total emoluments paid to directors in the year	1,886	1,571
Contribution paid to money purchase pension scheme	35	107
Number of directors who are members of money purchase pension schemes	1	4
Highest paid director		
Total emoluments paid to directors in the year	645	547
Contribution paid to money purchase pension scheme	13	50

Staff costs and Directors' remuneration excludes the impact of directors JC Morgan and SP Crummett who are members of the Morgan Sindall Group plc board of directors and are remunerated by Morgan Sindall Group plc

4. Net finance expense

	2014 £'000	2013 £'000
Interest receivable from parent company	69	46
Other interest receivable	64	49
Total interest receivable	133	95
Loan interest payable	(1,186)	(209)
Other interest payable	(493)	(565)
Total interest payable	(1,679)	(774)
Net finance expense	(1,546)	(679)

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

5. Tax

	2014 £'000	2013 £'000 Restated (Note 25)
Current tax:		
UK corporation tax charge / (credit) on profit / loss for the year	1,868	(81)
Adjustment in respect of previous years	342	(24)
Total current tax expense / (credit)	2,210	(105)
Deferred tax:		
Current year charge / (credit)	10	(459)
Adjustment in respect of previous years	137	33
Total deferred tax expense / (credit)	147	(426)
Total income tax expense / (credit)	2,357	(531)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 21.5% (2013 23.25%). The actual tax charge for the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation

	2014 £'000	2013 £'000 Restated (Note 25)
Profit / (loss) before tax on continuing operations	8,461	(93)
Tax at the UK corporation tax rate of 21.5% (2013 23.25%)	1,819	(22)
Tax effect of:		
Share of results of joint ventures	(77)	(90)
Expenses not deductible in determining taxable profit	123	20
Capital allowances for the year lower than depreciation	3	11
Change in deferred tax liabilities	147	(304)
Forthcoming changes in tax rate on deferred tax balance	-	(122)
Adjustments to tax charge in respect of previous years	342	(24)
Income Tax expense / (credit)	2,357	(531)

Deferred tax assets of £32,500 (2013 £34,000) have not been recognised in relation to tax losses carried forward due to uncertainty regarding their future reversal

6. Profit attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent company was £1,593,000 (2013 profit of £239,000). As permitted by section 408 of the Companies Act 2006 a profit and loss account of the parent company is not presented as part of these accounts

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7. Goodwill

	Group Goodwill	Company Goodwill
Cost & Net Book Value	£'000	£'000
As at 1 January 2013 – restated (Note 25)	13,645	7,292
As at 31 December 2013 – restated (Note 25)	13,645	7,292
As at 31 December 2014	13,645	7,292

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill for impairment, the recoverable amount of the Group has been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the forecast cash flows, discount rates and long-term growth rates. The calculations are based on a single cash generating unit (CGU).

Cash flow forecasts have been determined by using Board approved budgets and strategic plans for the next five years. Cash flows beyond five years have been extrapolated using an estimated nominal growth rate of 2.2% (2013: 2.4%). This growth rate does not exceed the long-term average for the relevant market. Discount rates are pre-tax and reflect the current market assessment of the time value of money and the specific risks. The risk-adjusted nominal rate used is 13.0% (2013: 13.0%). In carrying out this exercise, no impairment of goodwill has been identified.

The Group performed various sensitivity analyses which involved reducing future cash flows from 2016 to 2019 in use by 25%, reducing terminal growth rates to nil or increasing pre-tax discount rates by 100 bps. The results of these analyses showed that the value in use of the Group continued to exceed their carrying value.

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

8. Property, plant and equipment

	Plant, equipment, fixtures & fittings
Group and Company	£'000
Cost	
As at 1 January 2013	1,067
Additions	20
As at 31 December 2013	1,087
Additions	91
As at 31 December 2014	1,178
Depreciation	
As at 1 January 2013	(973)
Charge for the year	(65)
As at 31 December 2013	(1,038)
Charge for the year	(44)
As at 31 December 2014	(1,082)
Net Book Value	
As at 31 December 2014	96
As at 31 December 2013	49
As at 1 January 2013	94

9. Investments in joint ventures

The parent company and the Group have investments in the following joint ventures which principally affected the results or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant are not included. All of the fixed asset investments held by the Group and parent company have property development as their principal activity.

Name of company	Country of incorporation	Proportion of ordinary shares held	Proportion of voting power held
ISIS Waterside Regeneration Limited Partnership ¹	England	50% equity participation	50%
English Cities Fund Limited Partnership ¹	England	12.5% equity participation	33.3%
Lingley Mere Business Park Development Company Limited ²	England	50%	50%
St Andrews Brae Developments Limited	England	50%	50%
Wapping Wharf (Alpha) LLP	England	50%	50%

¹ The investment in these joint ventures are held by subsidiary undertakings

² The financial statements of Lingley Mere Business Park Development Company Limited are not coterminous with those of the Group as the company has a financial year end of 31 March

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

9. Investments in joint ventures (continued)

ISIS Waterside Regeneration: 50% equity participation

ISIS Waterside Regeneration is a joint venture with British Waterways to undertake regeneration of waterside sites

English Cities Fund: 12.5% equity participation

English Cities Fund is a limited partnership with the Homes and Communities Agency and Legal & General to develop mixed-use regeneration schemes in assisted areas. Joint control is exercised through the board of the general partner at which each partner is represented by two directors and no decision can be taken without the agreement of a director representing each partner.

Lingley Mere Business Park Development Company Limited: 50% share

Lingley Mere Business Park Development Company Limited is a joint venture with United Utilities and is developing new office space and ancillary facilities at Warrington in Cheshire.

St Andrews Brae Developments Limited: 50% share

St Andrews Brae Developments Limited is a joint venture with Miller Homes which is developing residential housing and apartments in Bearsden, Glasgow.

Wapping Wharf (Alpha) LLP: 50% partner

Wapping Wharf (Alpha) LLP is a joint venture with Umberslade which is developing the first phase of residential apartments within the Harbourside Regeneration Area of Bristol.

Investments in equity accounted joint ventures are as follows

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
As at 1 January	41,214	9,133	41,545	4,249
Share of net profit/(loss)	5,304	-	(42)	-
Increase in investment	351	351	10,341	6,570
Investment repayment	(8,625)	(3,400)	(10,630)	(1,686)
As at 31 December	38,244	6,084	41,214	9,133

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

9. Investments in joint ventures (continued)

The following information is given in respect of the Group's equity accounted joint ventures. Information categorised as "Other" relates to joint ventures that are not individually material. The information represents the 100% share reported by the joint ventures unless stated otherwise.

	ISIS Waterside Regeneration LP		English Cities Fund		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Non-current assets	-	-	-	2,025	1,414	-
Current assets	68,604	71,037	111,476	74,750	35,713	30,255
Current liabilities	(19,144)	(18,251)	(16,353)	(11,963)	(9,552)	(9,672)
Non-current liabilities	-	-	(42,250)	(18,625)	(19,083)	(9,634)
Net assets	49,460	52,786	52,873	46,187	8,492	10,949
Proportion of the Group's ownership interest	24,730	26,393	6,609	5,773		
Other Adjustments	(745)	(739)	400	(6)		
Carrying amount of the Group's interest in the joint venture	23,985	25,654	7,009	5,767		
Revenue	31,204	10,046	65,860	20,224	15,771	9,284
Expenses	(24,380)	(10,773)	(61,988)	(23,115)	(14,087)	(8,356)
Net profit / (loss)	6,824	(727)	3,872	(2,891)	1,684	928

Additional financial information on material joint ventures is given below

	ISIS Waterside Regeneration LP		English Cities Fund	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and cash equivalents	1,263	483	25,369	2,644
Current loans	14,916	15,442	-	-
Non-current loans	-	-	(42,250)	(18,625)
Depreciation	-	-	-	-
Interest income	3	4	64	36
Interest expense	(433)	(302)	(3,581)	(2,981)
Income tax expense	-	-	-	-

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. Investments in subsidiary undertakings

The parent company has investments in the following subsidiaries which principally affect the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant are not included. All of the fixed asset investments held by the Group and parent company have property development as their principal activity.

Name of company	Country of incorporation	Proportion of ordinary shares held	Proportion of voting power held
Muse (ECF) Partner Limited	England	100%	100%
Muse (Warp 4) Partner Limited	England	100%	100%
Rail Link Europe Limited	England	80.1%	80.1%
Eurocentral Partnership Limited	England	100%	100%
Chatham Place (Building 1) Limited	England	100%	100%
Ician Developments Limited	England	100%	100%
North Shore Development Partnership Limited	England	100%	100%
Lewisham Gateway Developments Limited	England	100%	100%
Sovereign Leeds Limited	England	100%	100%
Chatham Square Limited	England	100%	100%
Muse Chester Limited	England	100%	100%

The ordinary shares held by Muse Developments Limited in Rail Link Europe Limited confer the right to 100% of the subsidiary's results and net assets. No minority interests are thus included within the financial statements of Muse Developments Limited.

The movement in investments in subsidiary undertakings during the year was as follows:

	31 December 2014 £'000	31 December 2013 £'000
Cost and net book value		
At 1 January	22,810	24,386
Disposals	(701)	(1,576)
At 31 December	22,109	22,810

Muse Developments Limited guarantees the following companies under section 479A of the Companies Act 2006 and accordingly these companies are exempt from the requirement to have their accounts audited:

- Eurocentral Partnership Limited
- Chatham Place (Building 1) Limited
- EPL Contractor (Plot F East) Limited
- EPL Contractor (Plot F West) Limited

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. Investments in subsidiary undertakings (continued)

In addition, Muse Developments Limited guarantees the following companies under section 394A of the Companies Act 2006 and accordingly these companies are exempt from the requirement to prepare accounts

EPL Developer (Plot F East) Limited
EPL Developer (Plot F West) Limited
EPL Developer (Plot B West) Limited
EPL Contractor (Plot B West) Limited

11. Shared equity loans

	2014 £'000	2013 £'000
1 January	628	607
Repayments	(248)	-
Net change in fair value recognised in the income statement	41	21
31 December	421	628

The fair value measurement for shared equity loan receivables is classified as Level 3 as defined by IFRS 7 'Financial Instruments Disclosures'

12. Inventories

	31 December 2014		31 December 2013		1 January 2013	
	Group £'000	Company £'000	Group £'000	Company £'000	Group £'000	Company £'000
Work in progress	74,450	41,779	56,854	36,891	46,865	36,935

Work in progress comprises land and housing, commercial and mixed-use developments in the course of construction

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

13. Trade and other receivables

	31 December 2014		31 December 2013		1 January 2013	
	Group	Company	Group	Company	Group	Company
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	13,471	5,828	7,297	6,956	10,771	10,556
Amounts owed by group undertakings	48	48	30	30	43	43
Amounts owed by joint ventures	183	183	442	442	1,444	1,444
Amounts owed by subsidiaries	-	13,441	-	11,024	-	14,654
Prepayments	142	142	174	174	156	156
Other receivables	697	53	1,063	323	699	117
Trade and other receivables	14,541	19,695	9,006	18,949	13,113	26,970

14. Trade and other payables

	31 December 2014		31 December 2013		1 January 2013	
	Group	Company	Group	Company	Group	Company
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	11,614	9,601	13,916	13,415	16,523	15,892
Amounts owed to group undertakings	20,402	20,180	21,021	20,689	19,097	19,097
Amounts owed to joint ventures	153	153	744	744	744	744
Amounts owed to subsidiaries	-	19,929	-	16,009	-	12,142
Other taxation and social security	396	857	495	473	952	1,094
Accrued expenses	24,684	17,685	6,021	4,160	14,379	11,761
Deferred income	8,619	-	5,135	-	-	-
Other payables	-	-	4,700	-	-	-
Current trade and other payables	65,868	68,405	52,032	55,490	51,695	60,730
Non-current other payables	13,580	-	13,087	-	17,222	-
Total trade and other payables	79,448	68,405	65,119	55,490	68,917	60,730

Current and non-current other payables include £nil and £13.6m respectively (2013 £4.7m and £13.1m) related to the discounted deferred consideration due on the acquisition of an additional interest in ISIS Waterside Regeneration

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15. Deferred tax

Deferred tax is provided by the Group as follows:

	Capital Allowances	Short term timing differences	Goodwill	Total
	£'000	£'000	£'000	£'000
At 1 January 2013	20	(1,051)	(1,490)	(2,521)
(Credited) / charged to the income statement	(7)	(16)	327	304
Effect of change in tax rate	-	122	-	122
At 31 December 2013	13	(945)	(1,163)	(2,095)
Charged / (credited) to the income statement	2	(141)	(8)	(147)
At 31 December 2014	15	(1,086)	(1,171)	(2,242)

Deferred tax is provided by the Company as follows

	Capital Allowances	Short term timing differences	Goodwill	Total
	£'000	£'000	£'000	£'000
At 1 January 2013	20	-	(1,490)	(1,470)
(Credited) / charged to the income statement	(7)	-	327	320
At 31 December 2013	13	-	(1,163)	(1,150)
Charged / (credited) to the income statement	2	-	(8)	(6)
At 31 December 2014	15	-	(1,171)	(1,156)

16. Provisions for liabilities

	2014 Property £'000	2013 Property £'000
Group and Company		
At 1 January	2,087	2,228
Addition	188	713
Utilised	(726)	(854)
Released unused	(37)	-
At 31 December	1,512	2,087
Provisions are analysed as follows		
Current	512	586
Non-current	1,000	1,501
	1,512	2,087

Provisions relate to the costs of remedial works, warranty costs and rent guarantees, where amounts are likely to be payable over a period up to 2017

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

17. Called-up share capital

	31 December 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
Group and Company			
Authorised, allotted, called-up and fully paid			
40,000,000 ordinary shares of £1 each	40,000	40,000	40,000

18. Pension costs

The Company contributes to employees' pension arrangements. The annual costs charged to the profit and loss account for the year ended 31 December 2014 were £469,000 (2013: £486,000). The pension creditor at 31 December 2014 was £nil (2013: £nil).

19. Contingent liabilities

Performance bonds have been entered into in the normal course of business. Performance bond facilities and the bank accounts of the Group and associated undertakings are supported by cross guarantees.

20. Financial commitments

The Group has future commitments to purchase land and buildings with a combined purchase price of £2.8m (2013: £4.2m).

As at 31 December 2014, the Group has a commitment to invest further funding of up to £14.5m in Warp 4 Limited (2013: £9.5m). This commitment is guaranteed by the Company's ultimate parent, Morgan Sindall Group plc.

21. Operating lease commitments

The future minimum lease payments under operating leases are as follows:

	31 December 2014		31 December 2013	
	Other		Other	
	Group £'000	Company £'000	Group £'000	Company £'000
Within one year	11	11	12	12
Within two to five years	27	27	36	36
	38	38	48	48

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

22. Related party transactions

In the ordinary course of business, the Company has traded with its ultimate parent company Morgan Sindall Group plc, a company registered in England and Wales, together with its subsidiaries. Balances with these entities are disclosed in notes 13 and 14 of these financial statements.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Trading transactions

During the year, Group companies entered into transactions with related parties which are not members of the Group. Amounts owed at the year end and transactions during the year are as follows

	31 December 2014 Amounts owed by / (to) related parties £'000	31 December 2013 Amounts owed by / (to) related parties £'000
Bromley Park Limited	-	(591)
Intercity Developments Limited	(153)	(153)
ISIS Waterside Regeneration Limited	41	31
St Andrews Brae Developments Limited	98	362
Wapping Wharf (Alpha) LLP	44	49
Total	30	(302)
Within amounts owed by joint ventures (note 13)	183	442
Within amounts owed to joint ventures (note 14)	(153)	(744)
Total	30	(302)

During the year ECF General Partner Limited was charged £2,424,000 in respect of development management fees by the Company (2013: £1,308,000). During the year the Company charged £20,000 in respect of management fees (2013: £20,000) and recharged costs of £nil (2013: £1,000) to St Andrews Brae Developments Limited. During the year the Company charged £207,000 in respect of management fees (2013: £23,000) to Wapping Wharf (Alpha) Limited.

Remuneration of key management personnel

The Group considers key management personnel to be the directors. Details of their remuneration are given in note 3 of these financial statements.

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

23. Financial instruments

Net cash

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value. Net cash is defined as cash and cash equivalents less non recourse project financing as shown below.

	31 December 2014		31 December 2013		1 January 2013	
	Group	Company	Group	Company	Group	Company
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	22,453	21,941	12,169	11,642	13,495	13,065
Non recourse project finance due within one year	(16,940)	-	-	-	-	-
Non recourse project finance due after one year	-	-	(8,718)	-	-	-
Net cash	5,513	21,941	3,451	11,642	13,495	13,065

The Group's operations expose it to a variety of financial risks that include credit risk, interest rate risk, liquidity risk, price risk and market risk.

Credit risk

With regard to credit risk the Group has implemented policies that require appropriate credit checks on potential customers, investment partners and key suppliers before legal agreements are signed.

The ageing of the Group's trade receivables at the reporting date was as follows:

	31 December 2014		31 December 2013		1 January 2013	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£'000	£'000	£'000	£'000	£'000	£'000
Not past due	11,395	-	6,957	-	9,840	-
Past due 1 to 30 days	1,096	-	171	-	581	-
Past due 31 to 120 days	551	-	50	-	316	-
Past due 121 to 365 days	300	-	28	-	49	(15)
Past due greater than 1 year	144	(15)	106	(15)	-	-
	13,486	(15)	7,312	(15)	10,786	(15)

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

23. Financial instruments (continued)

Credit risk (continued)

The ageing of the Company's trade receivables at the reporting date was as follows

	31 December 2014		31 December 2013		1 January 2013	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£'000	£'000	£'000	£'000	£'000	£'000
Not past due	4,342	-	6,616	-	9,625	-
Past due 1 to 30 days	1,041	-	171	-	581	-
Past due 31 to 120 days	45	-	50	-	316	-
Past due 121 to 365 days	300	-	28	-	49	(15)
Past due greater than 1 year	115	(15)	106	(15)	-	-
	5,843	(15)	6,971	(15)	10,571	(15)

Interest rate risk

In respect of interest rate risk the Group has both interest bearing assets and interest bearing liabilities. These include cash balances which have interest rates applied at floating market rates. The interest payable on interest bearing liabilities is determined at European Community Reference Rate plus a margin. The Group is not exposed to significant interest rate risk as it does not have significant interest bearing liabilities and its only interest bearing asset is cash invested on a short-term basis.

Liquidity risk

The Group has net current assets of £26m (2013 £25.4m), including £22.5m of cash at 31 December 2014 (2013 £12.2m). In addition, the Company is a subsidiary of Morgan Sindall Group plc and as such is a member of Morgan Sindall Group's banking arrangements under which it is a cross guarantor. In addition to the Morgan Sindall Group cash balances, which stood at £56m at 31 December 2014 (2013 £70m), the Morgan Sindall Group has £170m of committed banking facilities of which £140m will mature in September 2018 and £30m will mature during 2016.

The Group had £16.9m (2013 £8.7m) of additional project finance borrowing drawn down to fund specific projects. These project finance borrowings are without recourse to the remainder of the Group's assets.

Price risk

The Group is exposed to the risk of cost inflation during site development. To mitigate this risk, the Group enters into fixed price design and build construction contracts. The Group is also exposed to the risk of price movements in the housing sector which affect underlying sales values. To mitigate this risk a proportion of stock is subject to forward sale agreements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group's income or the carrying amount of its holdings of financial instruments. The objective of market risk management is to achieve a level of market risk that is within acceptable parameters as set out in the Group risk management framework.

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

24. Ultimate parent company

The company regarded by the directors as the ultimate parent company and controlling party is Morgan Sindall Group plc which is incorporated in England. Copies of the Morgan Sindall Group plc's consolidated accounts can be obtained from www.morgansindall.com. This is the only group into which Muse Developments Limited is consolidated.

25. Reconciliation between UK GAAP and IFRS

In the year ended 31 December 2014 the Company has changed its accounting framework from UK GAAP to preparing in accordance with IFRS. The prior year financial statements were restated for material adjustments on adoption of IFRS in the current year. The table and narrative below explains restatement of the comparative information following the change in accounting framework.

	1 January 2013 £'000	31 December 2013 £'000
Group		
Total equity as presented under UK GAAP	52,102	51,835
Goodwill amortisation	-	673
Negative goodwill and related amortisation	1,919	1,869
Joint venture goodwill amortisation	-	257
Joint venture negative goodwill and related amortisation	1,026	851
Total equity as presented under IFRS	55,047	55,485

Total comprehensive income as presented under UK GAAP	(267)
Goodwill amortisation	673
Negative goodwill amortisation	(50)
Joint venture goodwill amortisation	257
Joint venture negative goodwill amortisation	(175)
Total comprehensive income as presented under IFRS	438

	1 January 2013 £'000	31 December 2013 £'000
Company		
Total equity as presented under UK GAAP	46,337	46,125
Goodwill amortisation	-	501
Negative goodwill and related amortisation	1,575	1,525
Total equity as presented under IFRS	47,912	48,151

Total comprehensive income as presented under UK GAAP	(212)
Goodwill amortisation	501
Negative goodwill amortisation	(50)
Total comprehensive income as presented under IFRS	239

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

25. Reconciliation between UK GAAP and IFRS (continued)

Goodwill amortisation – goodwill was amortised under UK GAAP over a useful economic life of 20 years, however no amortisation is charged under IFRS. The Goodwill balance has been retained at the previous UK GAAP amounts prior to the transition date as permitted by IFRS 1. The goodwill balance has been restated to reverse the amortisation charged after the date of transition to IFRS.

Negative goodwill and related amortisation – negative goodwill is recognised on a bargain purchase under UK GAAP and subsequently amortised over a useful economic life of 20 years. Under IFRS any negative goodwill recognised on a bargain purchase is immediately recognised in the income statement. On transition, any negative goodwill held by the Group has been derecognised and the related amortisation removed from the income statement.

JV goodwill and amortisation – Under UK GAAP, goodwill is presented within Investments in Joint Ventures. Under IFRS the goodwill is presented within the goodwill balance. There is a presentational adjustment to reclassify the goodwill element of the Investment in Joint Ventures to Goodwill within the consolidated balance sheet. The amortisation has been removed as described above.

Income taxes – Under UK GAAP, deferred tax was provided for timing differences between when an amount was taxable or allowable for tax purposes as against when it was recognised in the profit and loss account. Under IFRS deferred tax is provided on temporary differences based upon the discrepancy between the tax base and the carrying value of assets and liabilities.

26. Exemption in Partnership (Accounts) Regulations taken

Muse Developments Limited, through its wholly owned subsidiary company Muse (Warp 4) Partner Limited, has a 100% interest in Warp 4 Limited Partnership, a partnership governed by English law. The registered place of business of Warp 4 Limited Partnership is Kent House, 14-17 Market Place, London, W1W 8AJ.

The consolidated financial statements of Muse Developments Limited include the results and financial position of the Group's 100% interest in Warp 4 Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.